



**Major acquisition of Adshel during the year**

<b>Company/ASX Code</b>	Ooh Media (OML)
<b>AGM date</b>	Thursday 16 May 2019
<b>Time and location</b>	11am Level 4 100 Walker St North Sydney
<b>Registry</b>	Link Market Services
<b>Webcast</b>	No
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Gary Barton, assisted by Allan Goldin
<b>Pre-AGM Meeting?</b>	Yes, with Chair Tony Faure, Group Commercial Finance Director Chris Roberts and Head of People and Culture Steve Reid

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

oOh!media (OML) had a strong year with organic growth which contributed \$36m to the revenue increase (10%), excluding the Adshel acquisition which is responsible for revenue of \$66m. The Adshel acquisitions appear to be expensive as the net profit after tax (NPAT) decreased from last year by 4% down to \$31.6m. The earnings per share (EPS) was down 27% from last year (2017 - 19.4 cents to 2018 - 15.5 cents), the dividend per share (DPS) was down 27% to last year (2017 - 15 cents to 2018 - 11 cents). OML issued 72m shares, raising \$330m to fund the Adshel acquisition. There are slight savings in the future with the inclusion of Adshel. Digital revenue increased by 27% to \$288m. OML has built the most diverse and integrated Out of Home network and this was enhanced through the acquisition of the Adshel business, not to mention that they have the most diversified site selection of anyone in the industry. One problem is that the return on invested capital is forecast to be 1% below the weighted average cost of capital. Although they will not confirm, it is believed that OML is the market leader, with between 45% to 50% of the total outdoor revenue. With approximately 16% of their contract up for renewal, there is a strong possibility that contract renewals will be renegotiated on less favourable terms. The company only published an amended table of the 5-year history as required by the Corporations Act under Section 300A(1AA) and (1AB). We also grow very concerned when we see that for three successive years the amount paid to their auditors was larger for non-audit matters (2018 - \$895,000, 2017 - \$821,000). The audit fee doubled this year to \$586,000. Although not for this reason we will be asking the auditor how they determined the adequacy of the goodwill valuation and if merely looking at discounted cash flow was a rigorous enough test. It is pleasing to see a company believes that it is a necessity for all directors to have adequate skin in the game so that there is a tangible alignment with shareholders.

The company had a detailed corporate governance statement and a good sustainability report.

## Summary

(As at FYE)	2018	2017	2016	2015
NPAT (\$m)	31.6	33.1	24.4	20
UNPATA (\$m)	51.1	43.4	38.5	28.5
Share price (\$)	3.42	4.50	4.57	4.72
Dividend (cents)	11	15	14	9.5
TSR (%)	-18	2	0	141
Basic EPS (cents)	15.5	19.4	16.0	12.0
CEO total remuneration, actual (\$m)	2.0	0.94	0.93	0.99

For 2018, the CEO's total actual remuneration was **23.1** times the Australian Full time Adult Average Weekly Total Earnings (based on November 2018 data from the Australian Bureau of Statistics).

**Note - For November 2018, the Full-time adult average weekly total earnings (annualised) was \$86,642**

<b>Resolution 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>Against</b>

The ASA expects the financial performance, shareholder reward and executive remuneration to have a logical relationship. The use of underlying earnings before interest tax depreciation and amortisation (EBITDA) and NPAT, by excluding the Adshel acquisition, for the calculation of bonuses does not meet shareholder expectations. Shareholders' dividends and share price decreased during the year by 27% and 24% respectively. The total shareholder return decreased by 20% from last year to negative 18% in 2018.

The short-term incentive (STI) is set at achieving 90% of budgeted EBITDA than 70% on achievement of full year underlying EBITDA and 30% on achievement of individual goals. The CEO, Brendon Cook, only received 86.5% of his STI bonus, totalling \$346,000 of a targeted \$400,000. The CFO, Sheila Lines, received 101.5% of her STI totalling \$170k above the target of \$168,000. The STI component is paid in cash.

The long-term incentive (LTI) has two performance hurdles; 75% based on the compound annual growth rate (CAGR) of EPS over a three-year period and 25% on relative total shareholder return (TSR) over a three-year period assessed against the ASX 200 index (excluding Financials, Industrials and Materials).

The compound annual growth rate (CAGR) of EPS is awarded when 6% is achieved. This was reduced from 9% CAGR two years ago. The maximum is 14% CAGR. The Relative TSR is awarded at

the 50% hurdle, which is achieving a bonus for just being ordinary. They can achieve 100% of their bonus at the 75% hurdle. The CEO was granted \$750k and the CFO granted \$275k.

The ASA will be voting against the adoption of the remuneration report.

The table below sets out the actual payment to the CEO

<b>CEO Remuneration</b>	<b>Target \$m</b>	<b>% of Total</b>	<b>Maximum Opportunity \$m</b>	<b>% of Total</b>
<b>Fixed Remuneration</b>	0.87	43%	0.87	29%
<b>STI - Cash</b>	0.35	20%	1.08	36%
<b>STI - Equity</b>	0	0%	0	0%
<b>LTI</b>	.75	37%	1.01	34%
<b>Total</b>	2.02	100%	2.96	100%

<b>Resolution 2</b>	<b>Re-election of Director – Mr Tony Faure</b>
<b>ASA Vote</b>	<b>For</b>

Mr Faure has been a director since November 2014 and is the Chair of the Board and a member of the Remuneration and Nominations Committee. He is experienced in digital media and marketing and ran both small and large companies. He has held positions of CEO at ninemsn and Home Screen Entertainment, Regional Vice President, South Asia for Yahoo and Managing Director of Yahoo Australia and New Zealand. Mr Faure is Chair of ReadyTech Holdings Limited. Mr Faure is not considered an independent director due to his involvement with Junkee Media, a subsidiary of oOH!media.

Mr Faure's shareholdings of 110,698 are in excess of one year's director's fees.

The ASA will support Mr Faure nomination.

<b>Resolution 3</b>	<b>Re-election of Director – Ms Debra Godin</b>
<b>ASA Vote</b>	<b>For</b>

Ms Goodin has been an independent Non-Executive Director since November 2014. She is Chair of the Audit, Risk and Compliance Committee and is the lead independent director. Ms Goodin has more than 20 years' senior management experience with professional services firms, government authorities and ASX listed companies across a broad range of industries and service areas. She has executive experience in finance, operations, corporate strategy and mergers and acquisitions. Ms Goodin is currently a Director of Atlas Arteria Limited, APA Group and Senex Energy Limited. She has confirmed that she would continue to have sufficient time to properly fulfil her duties and responsibilities to the Company. She has indicated that she will retire by the end of 2019, once a suitable replacement is found.

<b>Resolution 4</b>	<b>Issue of Rights under the oOh!media limited Incentive Plan – Mr Brendon Cook</b>
<b>ASA Vote</b>	<b>Against</b>

Mr Wood has been granted 192,940 share rights and the Company is asking the shareholders to vote on 192,940 performance rights which on the day of grant were worth \$750,000, but in reality, if the maximum is reached, this could be 265,292 performance rights worth \$1,031,190. The performance hurdles have been set low and would be easily achievable.

We stated previously in the adoption of the remuneration report that the ASA expects the financial performance, shareholder reward and executive remuneration to have a logical relationship. We do not believe that reducing the criteria over the last couple of years is beneficial to shareholders.

Therefore, the ASA will be voting against this resolution.

<b>Resolution 5</b>	<b>Increase to Non-Executive directors' Fee Pool</b>
<b>ASA Vote</b>	<b>For</b>

The company seeks approval to increase its pool for the annual aggregate amount of remuneration that may be paid to the Company's Non-Executive Directors from \$1,000,000 to \$1,300,000. The current pool is under \$1m, but this will allow the company to increase fees commensurate with fees paid by peer companies, to allow the company to continue to attract and retain directors with appropriate skills, experience and competency and potentially increase the size of the Board in future.

<b>Resolution 6</b>	<b>Renewal of Proportional Takeover Provisions</b>
<b>ASA Vote</b>	<b>For</b>

The company is proposing to reinstate the provision of the Corporations Act and rules 6.2 and 6.3 of the constitution for three years from the date of approval of the proposed resolution. In a proportional takeover bid, the bidder offers to buy a proportion only of each shareholder's shares in the target company.

<b>Item 7</b>	<b>Financial Assistance</b>
<b>ASA Vote</b>	<b>For</b>

The Financial Assistance Resolution, if passed will approve oOh!media Street Furniture becoming a guarantor and security provider as described above. It will also approve other transactions which oOh!media Street Furniture may enter into, in connection with the Group's financing arrangements, which could constitute "financial assistance" within the meaning of section 260A of the Corporations Act.

Please note any potential conflict as follows: The individual (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

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